THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO / CONSEIL DES EXPERTS-COMPTABLES DE LA PROVINCE DE L'ONTARIO

CONTENTS

	PAGE
About the Council	3
The Council Standards	4
Key Activities of the Council	4
Governance	9
Council Members	12
Council Committees	14
Management Discussion and Analysis	16
Statement of Management Responsibility	17
Financial Statements	19
Contact Information	28

ABOUT THE COUNCIL

The Public Accountants Council for the Province of Ontario (the Council) is a corporation without share capital that was continued under the *Public Accounting Act, 2004* (Act). The Council is accountable to the Attorney General, Government of Ontario (Minister).

The purpose of the Council is to ensure that public accounting in Ontario is practised in accordance with internationally respected public accounting standards that reflect the public interest in the delivery of superior quality public accounting services.

Public accounting is the business of expressing independent assurance and certain other services in respect of financial statements and other financial information of enterprises where it can reasonably be expected that the services will be relied upon or used by a third party.

The Council is responsible for:

- developing and maintaining the standards that a Designated Body must meet in order to be authorized to license and govern the activities of its members as public accountants;
- determining which Designated Body meets the standards, when it meets them and whether it continues to meet the standards after it is authorized to license and govern the activities of its members as public accountants;
- overseeing the Designated Bodies in their capacity to license and to govern the activities of their members as public accountants; and
- maintaining public confidence in public accounting through the appropriate prosecution of offences under the Act.

As of December 15, 2014, being the date on which this Annual Report was approved by the Council, the Designated Bodies named in the Act are the:

- Certified General Accountants Association of Ontario (CGAO)
- Certified Management Accountants of Ontario (CMAO)
- Chartered Professional Accountants of Ontario (CPA Ontario)[1]

Upon the Council being satisfied that a Designated Body meets the Council's Standards, the Council may provide written authorization to the Designated Body to license and govern its members as public accountants. A Designated Body that has received such authorization is an Authorized Designated Body.

As of January 2012, all the Designated Bodies have been approved as Authorized Designated Bodies.

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[1] Until recently known as the Institute of Chartered Accountants of Ontario, and named as such in the Act.

On April 1, 2014 CMAO and CPA Ontario executed a Unification Agreement and all members of CMAO became members of CPA Ontario, at which time it also assumed all responsibilities to govern the activities of its CMAO members. Effective that same day, CMAO, which had not issued a public accounting licence, resigned its authorization to license and govern the activities of its members as public accountants.

Similarly, on July 2, 2014 CGAO and CPA Ontario executed a Unification Agreement and all members of CGAO became members of CPA Ontario, at which time it also assumed all responsibilities to govern the activities of its CGAO members. Effective that same day, CGAO resigned its authorization to license and govern the activities of its members as public accountants.

THE COUNCIL STANDARDS

The Council's Standards were approved in their initial form on June 20, 2006, amended and restated as of July 11, 2012, and further amended and restated as of December 24, 2012 and January 8, 2014. They require a Designated Body that seeks to be authorized to license and govern the activities of its members as public accountants to meet certain minimum standards relating to its:

- education, examination and practical experience requirements;
- rules of professional conduct, mandatory practice inspections of public accountants, the use of generally accepted accounting principles and generally accepted auditing and assurance standards, discipline procedures, the issuing of new licences to former licensees, the issuing of licences to persons who are permitted to practise in other jurisdictions, and mandatory professional liability insurance; and
- governance standards respecting the licensing and governing of the activities of its members as public accountants.

The Council has also adopted Council Guidelines. These deal with aspects of the Council's Standards where it is in the public interest that the Authorized Designated Bodies have a consistent approach.

Council Standards and Guidelines are published on the Council's website, at www.pacont.org.

KEY ACTIVITIES OF THE COUNCIL

Key activities of the Council during its 2014 fiscal year (November 1, 2013 - October 31, 2014) and up to the date (December 15, 2014) when the Council approved this Annual Report were:

The Changing Environment for Public Accounting in Ontario

Council has been fulfilling the requirements under the Act since it became effective on November 1, 2005. As of January, 2012, all Ontario Designated Bodies have, after thorough, transparent and consistent examination been authorized to issue public accounting licences. The "superior quality" public accounting standards called for under the Act, besides being vigilantly maintained, have been updated to reflect domestic and international best practice.

At the same time, the public accounting environment that Council was established to oversee for Ontario has been undergoing significant change that may mean change for the Council's role in the future.

As a result of the unification, the three Designated Bodies now operate under one banner as Chartered Professional Accountants (CPA). At present all members of the three bodies now carry a CPA designation in addition to their legacy designation.

CPA Ontario, along with CPA Canada and the professional accounting bodies in the other provinces and territories, are now in the process of developing national public accounting standards that are expected to be in force in the latter part of 2015 once the legacy public accounting programs formerly administered by the Authorized Designated Bodies are no longer available. The Council's independent evaluators (Evaluation Team) are monitoring and evaluating the adoption by CPA Ontario of these new standards as, under current legislative arrangements, any such standards will need to at least match those that have been implemented by the Council.

As discussed in previous annual reports, the 2012 Agreement on Internal Trade Labour Mobility Panel (AIT) decision disallowed Ontario's exception for public accounting, thus permitting entry into Ontario any Canadian public accountant seeking licensure in Ontario, regardless of the qualifying standards in their home province and territories. The number of public accountants in Ontario that, availing themselves of the AIT decision, have qualified outside the Council framework regarding education, examination and practical experience is 95 as of December 15, 2014, compared with 70 a year earlier.

The impact of the AIT decision and the unification of the three Designated Bodies may require changes in the role played by the Council in its oversight of public accounting in Ontario. While the Council continues to fulfill the responsibilities laid down by its legislation, it has engaged the consulting firm of Promontory Financial Services Group Canada (Promontory) to undertake a study of how the role of the Council might change as a result of unification and the AIT decision. The report from Promontory is scheduled for completion in early 2015 and will be reviewed with the Ministry of the Attorney General (Ministry).

Oversight of the Assessment of Substantial Equivalence

The Evaluation Team continued its assessment of the substantial equivalence of the public accounting standards of the Designated Bodies to the Council's Standards. In this respect:

CGAO

As noted in previous annual reports of the Council, at its meeting of June 22, 2010 the Council accepted the *Final Report* of its Evaluation Team. And on this same day CGAO became an Authorized Designated Body under the Act. On July 2, 2014 CGAO surrendered its authorization.

In this *Final Report*, the Evaluation Team expressed the opinion that the CGAO public accounting standards had achieved substantial equivalence to the Council Standards in respect of those members of CGAO who had completed the 51 credit-hour preparation. These CGAO standards could therefore provably develop a public accountant with the competencies comparable to those of a public accountant produced by the benchmark program underlying the Council Standards. At the same time, in view of the fact that the required CGAO public accounting examinations would of necessity be conducted for the first time, it was noted that certain review procedures would need to be implemented once candidates were actively involved in completing the licensure program.

The pace of implementation monitoring for the examinations in question was driven by the number of CGAO candidates that presented themselves up to July 2, the date on which CGAO resigned its authorization to license and govern the activities of its members as public accountants and turned over the responsibility to govern the activities of its members to CPA Ontario. To date, the candidates forthcoming have been concentrated among those CGAO members who have been able to avail themselves of the provisions in Council Guideline 2010-6, which makes special allowance for a member of a newly Authorized Designated Body who has substantial involvement in public accounting but does not meet all the requirements of Council Standards, particularly in regard to the education component.[2] As of July 2, there were 52 CGAO (48 as reported in the 2013 Annual Report) candidates who had qualified as Licensed Public Accountants (LPA) through this route.

As regards the non-credit-hour program for CGAO candidates, the *Final Report* also indicated that the judgment of substantial equivalence was expected to be extended to the CGAO's own courses when the Advanced External Audit course and examination (AU2) were satisfactorily completed. The Evaluation Team previously concluded that the AU2 course and examination are substantially equivalent to the Council Standards, so that the 51 credit-hour standard could have been met through these CGAO courses up to July 2, 2014.

CMAO

As noted in the Council's previous annual report, at its meeting of January 24, 2012 the Council accepted the *Final Report* of its Evaluation Team. And on that same day CMAO became an Authorized Designated Body under the Act. On April 1, 2014 CMAO surrendered its authorization.

In this *Final Report*, the Evaluation Team expressed the opinion that the CMAO public accounting standards were substantially equivalent to the Council Standards in respect of those members of the CMAO who had completed the required 51 credit-hour preparation. These CMAO standards could therefore provably develop a public accountant with the competencies that are comparable to a public accountant produced by the benchmark program underlying the Council Standards. At the same time, it was made clear that since the required CMAO public accounting examinations would of necessity be conducted for the first time, certain review procedures in relation to those examinations and the processes leading up to them would need to be assessed at a later stage, once candidates were actively involved in completing the licensure program.

The Evaluators satisfied themselves that the first Technical Proficiency Exam, Integrated Public Accounting Studies course and exam, and Licensure Exam that were developed are substantially equivalent to the Council Standards. It was also agreed that any future exam development would need to be reviewed to ensure that exam questions met Council Standards without input from the Evaluation Team.

CMAO did not license any of its members as public accountants prior to the surrender of its status as an Authorized Designated Body on April 1, 2014.

CPA Ontario

CPA Ontario has been an Authorized Designated Body since November 1, 2006. With the unification of the designated bodies, CPA Ontario is now managing all of the qualification programs for Ontario public

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[2] Further detail on this Guideline is available in the Council Report for 2010 – under "Bridging Program for Certain Potential Licensees".

accounting applicants. New programs relating to Council Standards 2 through 6 which cover education, pre-licensing experience and examinations are now under development in conjunction with CPA Canada and the other Canadian professional accounting bodies for roll-out in 2015. The Evaluation Team is working with representatives from CPA Ontario and CPA Canada to complete its assessment of the substantial equivalence of these programs to the Council Standards. This evaluation work is scheduled to be completed in 2015.

The changes for the remaining Standards 7 through 18 that will result from unification are not expected to be significant and will be reviewed as necessary.

Monitoring and Oversight of Authorized Designated Bodies

The Council is required under the Act to conduct reviews of the operations of each Authorized Designated Body at least once every three years and to report on them to the Minister. The purpose of such a review is to:

- determine whether the Authorized Designated Body continues to meet the Council Standards;
- determine whether the Authorized Designated Body is complying with the Council Standards;
- oversee the Authorized Designated Body in its capacity to license and govern the activities of its members as public accountants; and
- determine whether the purpose and objects of the Council are being met.

The Council has continued to implement the above required reviews. By virtue of the unification of the three Designated Bodies and the surrender by CGAO and CMAO of their authorization status, these reviews will only be required for CPA Ontario after July 2, 2014.

Two triennial reviews were completed for CPA Ontario for the periods ending October 31, 2009 and 2012. These reports found that CPA Ontario was in substantial compliance with all the Council's Standards.

The first triennial review for CGAO for the period from November 1, 2010 to October 31, 2013 was accepted by the Council in September 2014. That report found that CGAO was in substantial compliance with all the Council's Standards.

Since CMAO did not issue any public accounting licences after it was authorized in January 2012, Council did not carry out any reviews of CMAO.

Further to this, the Council has determined that there is merit in conducting, on a reduced scale from the triennial review exercise, monitoring and reporting reviews of the standards-related activities of Authorized Designated Bodies for those years when a triennial review is not required. To date, these reports have found no evidence that the authorized designated bodies were not materially in compliance with Council Standards.

These annual and triennial reports, once accepted by the Council, are submitted to the Minister and published on its website.

In addition to the above triennial and annual reviews for Authorized Designated Bodies, the Council is authorized to conduct special reviews of a Designated Body if it concludes that it is in the public interest to do so. The report on one such review was accepted by the Council in January 2011.

Updating Council Standards

With all Designated Bodies having been authorized to issue licences as of January 2012, the Council turned its attention more fully to another legislatively mandated aspect of Council Standard development – namely, *"raising the standards as required"*. Work on this mandate, which called for a comprehensive review of Council Standards in the light of domestic and international best practice, and into which the three Ontario bodies contributed professional resources, was completed on December 10, 2013 when the Council agreed to submit the updated Standards to the designated Minister for his consideration. These updated Standards were approved by the Minister on January 8, 2014.

Complaints

Prosecutions

The Council is responsible for maintaining confidence in public accounting through appropriate prosecution of offences under the Act.

In this respect, the Council receives complaints about individuals who may be providing public accounting services without a licence. These complaints are investigated and followed up individually for action. The complaints have ranged over the past few years from those relating primarily to non-licensed individuals advertising their services under captions for public accounting to ones concerning non-licensed individuals issuing audit or review engagement reports in situations where it can be reasonably expected that there will be third party reliance on these reports. Most of these situations are dealt with by getting the individual to sign an undertaking to cease the offending activity.

If it is determined that an undertaking would be insufficient deterrent for the individual to cease the offending activity, the Council may initiate a private prosecution under the *Provincial Offences Act*.

The complaints and prosecution activities for the past three fiscal years are summarized as follows:

	2014	2013	2012
Complaints outstanding at beginning of year	-	2	4
New complaints received during the year	3	-	1
Complaints resolved, including through voluntary undertakings	2	-	2
Complaints resolved through private prosecution	-	2	1
Complaints under investigation or before the courts	1	-	2

Information regarding convictions is published on the Council's website under *Statutory Offences*.

Section 22 Reviews

A member of the public who is not satisfied with the manner in which a complaint about the conduct of a Licensed Public Accountant was handled by the licensing Authorized Designated Body, may under *section 22* of the Act request the Council to review the licensing body's handling of the complaint. The member of the public must first have made a complaint to the licensing body and exhausted the internal procedures of the licensing body for the handling of the complaint, including the licensing body's independent review mechanisms.

The Council's ability to address a request for a review made pursuant to *section 22* is limited to deciding whether to recommend that the licensing body investigate the complaint more fully. The Council's ability to review does not extend to decisions of the licensing body's disciplinary or appeal committees.

During 2014, the Council received one request for a *section 22* review. Following the appropriate reviews and discussion, the Council determined not to refer this request for review back to the licensing body.

GOVERNANCE

Composition of the Council

The Council is comprised of 17 Members:

- Nine Members appointed by the Lieutenant Governor in Council
- Two Members appointed by the Certified General Accountants Association of Ontario
- Two Members appointed by the Certified Management Accountants of Ontario
- Four Members appointed by Chartered Professional Accountants of Ontario.

Each Member of the Council holds office for a term of up to three years from the date of appointment and may be reappointed for up to four additional terms.

The Chair and Vice-Chair of the Council are appointed by the Lieutenant Governor in Council and hold office for two years from the date of appointment or until their successor is appointed. The Chair and Vice-Chair may be reappointed for an additional term. The Vice-Chair may be appointed Chair for up to two terms in addition to any terms the person may have served as Vice-Chair.

Appointment of the Chair and Vice-Chair

Michael Bryant was appointed as Chair of the Council effective February 19, 2014 succeeding John Crow who had been the Chair of the Council since December 22, 2009. Mr. Bryant's term as Chair will expire on February 18, 2016. Ms. Shoba Khetrapal has been the Vice-Chair of the Council since December 21, 2012 and on November 26, 2014 she was reappointed as Vice-Chair by the Lieutenant Governor in Council for an additional term ending December 20, 2016.

Following nearly nine years of dedicated service on the Council, John Crow's term of office, including his role as Chair since 2009, ended in February of this year. Members of the Council thank Mr. Crow for his leadership and contribution to the affairs of the Council. Throughout the years, Mr. Crow's extensive experience and knowledge in public policy-making added great value to the establishment of the Council in its formative years and helped shape Council's oversight role in a fast-paced regulatory environment.

Officers

The Council's Officers are:

Chair:	Michael Bryant
Vice-Chair:	Shoba Khetrapal
Chief Executive Officer:	Keith Bowman
Secretary:	Michael Bryant

Performance Reviews

The Council has established a performance review process. Performance reviews of the Council and its committees and Council Members are conducted every two years. The most recent performance reviews of the Council Members, Council and its committees were completed for the fiscal year ended in 2012. The next biennial performance reviews are expected to be completed in early 2015. Performance reviews of the Chair and the Chief Executive Officer are conducted annually.

Compensation Framework

The compensation of the Members of the Council, including the Chair and Vice-Chair, is prescribed by the Lieutenant Governor in Council in Regulations made under the Act.

Members of the Council, with the exception of the Chair and the Vice-Chair, are compensated in accordance with the following framework:

- Meeting Attendance Fee: $700 per meeting ($350 for meetings under three hours)
- Preparation Time: $700 per meeting ($350 for meetings under three hours)
- Travel Time: $100 per hour*

* Payable to Members of the Council (other than the Chair) who are required to travel beyond 40 kilometers (one-way) to attend a meeting.

The compensation of the Chair is $166,666 per annum.

The compensation of the Vice-Chair is $1,000 per meeting attended ($500 for meetings under three hours) and $1,000 for preparation time per meeting ($500 for meetings under three hours).

All Council Members, including the Chair and the Vice-Chair, are reimbursed for related travel and out-of-pocket expenses.

Succession Planning

The Council is not empowered under the Act to appoint its directors (who are referred to in the Act as Council Members) or its Chair or Vice-Chair.

As noted above, the Act provides that of the 17 Council Members prescribed by the Act, two are to be appointed by the CGAO, two are to be appointed by the CMAO, four are to be appointed by CPA Ontario, and nine are to be appointed by the Lieutenant Governor in Council. Notwithstanding the unification of the three Designated Bodies, pending legislative change, each body continues to appoint its

respective representatives as Members to the Council. These entities are collectively referred to as the "appointing bodies".

In the past, and in an effort to ensure that Council Members are experienced and qualified, the Council, with the input of the appointing bodies, developed a Council Member Profile and a template to be used to assess the competency and diversity of the individual Council Members and of potential appointees to the Council. The information that is gathered is used to prepare a Competency and Diversity Matrix to assess the overall strength of the skills and diversity of the Council Members and to identify any gaps for the purpose of assisting the appointing bodies in their selection of persons to replace retiring Council Members and to fill any vacancies. In addition, the Council takes an active role in assessing the qualifications of the nominees for appointment to the Council by the Lieutenant Governor in Council. It uses the network of contacts available to its Members in a systematic way so as to contribute to the pool of potential candidates eligible for appointment by the Lieutenant Governor in Council, and it also works closely with the Public Appointments Secretariat of the Government of Ontario to see to it that such appointments meet the above criteria.

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COUNCIL MEMBERS

Members Appointed by the Lieutenant Governor in Council

Name	Member of Council Since	Term Expires
Michael Bryant[3] Former Attorney General of Ontario Chair of the Council and Secretary (Toronto, Ontario)	**February 19, 2014**	**February 18, 2016**
Aldo Di Felice President Telelatino Network Inc. (Toronto, Ontario)	**February 11, 2009**	**February 10, 2015**
Lili-Ann Foster President and CEO of Renaud Foster Management Consultants (Ottawa, Ontario)	**October 25, 2006**	**October 24, 2017**
William Greenhalgh Chief Executive Officer Human Resources Professionals Association (Toronto, Ontario)	**December 4, 2013**	**December 3, 2016**
Laura Hantho Advisor (Toronto, Ontario)	**August 28, 2013**	**August 27, 2015**
Colleen Hanycz Principal of Brescia University College (London, Ontario)	**August 28, 2013**	**August 27, 2015**
Shoba Khetrapal Corporate Director (Toronto, Ontario)	**December 3, 2008**	**December 2, 2016**
Jacqueline Orange Corporate Director (Toronto, Ontario)	**July 8, 2010**	**July 7, 2015**
Ian Shewan Partner, Lerners LLP (London, Ontario)	**July 8, 2010**	**July 7, 2015**

[3] Michael Bryant succeeded John Crow who served as Member from November 2005 and as Chair from December 2009 until February, 2014

Members Appointed by Certified General Accountants Association of Ontario

Name	Member of Council Since	Term Expires
Ron Colucci, FCPA, FCGA[4] Operates an accounting, income tax and business advisory practice (Mississauga, Ontario)	**November 1, 2005**	**October 31, 2014**
Dawn McGeachy, BAccS, FCPA, FCGA, FCUIC, ACUIC, LPA Partner, Colby McGeachy Professional Corporation/Porter Hétu Int'l. (Almonte, Ontario)	**October 31, 2012**	**October 31, 2015**

Members Appointed by Certified Management Accountants of Ontario

Name	Member of Council Since	Term Expires
Jack R. Bowerman, CPA, CA, CMA, LPA, EA[5] Jack R. Bowerman, CA Professional Corporation (Nepean, Ontario)	**November 1, 2012**	**October 31, 2014**
Howard E. Johnson, MBA, FCPA, FCA, FCMA, CBV, CPA, CFA, ASA, CF, C.Dir[6] Managing Director Campbell Valuation Partners Limited (Toronto, Ontario)	**August 24, 2009**	**November 1, 2014**

Members Appointed by Chartered Professional Accountants of Ontario

Name	Member of Council Since	Term Expires
Colleen E. Gibb, FCPA, FCA, LPA President, Gibb Widdis Chartered Accountants Professional Corporation (Ancaster, Ontario)	**November 1, 2005**	**October 31, 2016**
Ralph T. Neville, FCPA, FCA Consultant Formerly Senior Tax Partner with BDO Dunwoody LLP (Oakville, Ontario)	**November 1, 2005**	**October 31, 2016**
Erik Peters, FCPA, FCA Retired Auditor-General of Ontario (Ottawa, Ontario)	**November 1, 2005**	**October 31, 2016**
Michael Walke, CPA, CA Partner, Leader, Accounting Consulting Services, National Accounting and Assurance, PricewaterhouseCoopers LLP (Toronto, Ontario)	**November 1, 2005**	**October 31, 2016**

[4] Effective November 1, 2014, Ron Colucci was replaced by Blake Mercer, FCPA, FCGA, C.Dir, LPA of Milton, Ontario who was appointed for a three-year term ending October 31, 2017

[5] Effective November 1, 2014, Jack Bowerman was reappointed for a one-year term ending October 31, 2015

[6] Effective November 1, 2014 Howard Johnson was replaced by Gary van Eyk, CPA, CMA of St. Catherines, Ontario who was appointed for a two-year term ending October 31, 2016

COUNCIL COMMITTEES

Audit Committee

Members: Jacqueline Orange (Chair)*
Erik Peters
Ian Shewan

*Appointed Chair of the Committee effective December 3, 2013

The Audit Committee's responsibilities include the review of the Council's financial statements, the Council's risk management processes, systems of internal controls and compliance with applicable laws and regulations. The Audit Committee consists of at least three Members. The Chair, Vice-Chair and the Secretary of the Council may not serve as members of the Audit Committee. The Chair of the Audit Committee is appointed by the Council.

Governance Committee

Members: Lili-Ann Foster (Chair)
Michael Bryant*
Ron Colucci
Howard Johnson
Shoba Khetrapal
Michael Walke

*Appointed to the Committee effective February 19, 2014

The Governance Committee's responsibilities include recommendations for committee structure and Council membership and overseeing the process for performance assessment of the Council and its committees, Council Members, the Chair and the Chief Executive Officer.

The Governance Committee consists of at least three Members appointed by the Council. The Council has established a practice of appointing to the Governance Committee a nominee of each of the CGAO, CMAO and CPA Ontario as well as three of the Members appointed by the Lieutenant Governor in Council. The Chair of the Governance Committee is appointed by the Council.

Council and Committee Meetings

The following is the number of Council and Committee meetings held during the 12 months ended October 31, 2014:

Council	4
Audit Committee	2
Governance Committee	2

Attendance at Council and Committee Meetings

The following is a summary of individual Member attendance at Council and Committee Meetings held during the 12 months ended October 31, 2014:

Member	Council Meetings Attended	Committee Meetings Attended
Jack R. Bowerman	4 of 4	
Michael Bryant[1,2,3]	3 of 3	1 of 1 and 2 of 2
Ron Colucci[3]	4 of 4	2 of 2
John Crow[2,3,4]	1 of 1	1 of 1
Aldo Di Felice	4 of 4	
Lili-Ann Foster[3]	4 of 4	2 of 2
Colleen Gibb	4 of 4	
William Greenhalgh[5]	3 of 3	
Laura Hantho	4 of 4	
Colleen Hanycz	3 of 4	
Howard E. Johnson[3]	4 of 4	2 of 2
Shoba Khetrapal[3]	4 of 4	2 of 2
Dawn McGeachy	4 of 4	
Ralph Neville	4 of 4	
Jacqueline Orange[6]	4 of 4	2 of 2
Erik Peters[6]	4 of 4	2 of 2
Ian Shewan[6]	4 of 4	2 of 2
Michael Walke[5]	4 of 4	1 of 2

1. Appointed as Member and Chair of Council and Member of Governance Committee effective February 19, 2014
2. The Chair of Council attends each Committee meeting
3. Member of Governance Committee
4. Ceased to be Member and Chair of Council and Member of Governance Committee effective February 19, 2014
5. Appointed to Council effective December 4, 2013
6. Member of Audit Committee

MANAGEMENT DISCUSSION AND ANALYSIS

The following information provides a summary review of the operations and results of the Council for the year ended October 31, 2014. It is intended to assist readers in understanding the operations of the Council. This should be read along with the accompanying financial statements.

The Council is a corporation without share capital that was continued under the Act. The Act was proclaimed into force on November 1, 2005. As a not-for-profit corporation, the Council is exempt from income taxes.

Operations

The operating costs of the Council are funded by the three Designated Bodies. Designated Body assessment fees are set based on the estimated operating expenses of the Council adjusted for an amount to continue building the net assets to approximately 50% of estimated annual operating expenses. These assessment fees were set at $1,180,000 in 2014 ($1,400,000 in 2013).

In addition to the annual assessment fees, Council Standards assessments costs of $920,238 ($381,106 in 2013) were incurred in the process of determining whether the standards and operating policies of the respective Designated Bodies are substantially equivalent to those of the Council and in particular the assessment of the CPA Ontario policies in respect of its new public accounting program. These costs also include assessments to determine if the operations of the CGAO and CPA Ontario remained compliant with the Standards of the Council for governance of their respective licensed public accountants. All of these costs are billed to and recoverable from the Designated Bodies.

The other regular source of revenue is interest income earned from investments, amounting to $27,168 ($24,390 in 2013).

In 2014 the Council also received financial support of $23,730 from the Ministry relating to the engagement of the consulting firm Promontory to undertake a study of how the role of the Council might change as a result of unification. This amount represents one half of the costs incurred to date. The report from Promontory is scheduled for completion in early 2015 and will be reviewed with the Ministry.

The main expenses relating to the other operations of the Council are salaries and benefits totalling $584,615 ($567,310 in 2013), and Council fees, travel and meetings expenses totalling $87,810 ($138,873 in 2013). The amount of these latter costs is directly related to the number and length of Council and committee meetings held during the year.

Non-recoverable Standards costs decreased to $109,153 from $188,118 in 2013. This decline mainly resulted from significant costs incurred in 2013 that related to the AIT decision to disallow Ontario's exception for public accounting and caused the Council to revise certain of its Standards. The Council also started the process to update its Standards in 2013. This was a major project as described on Page 8 and was concluded in the early part of fiscal 2014.

Consulting costs of $54,897 were incurred in 2014 for the above-noted Promontory study and for the remaining costs for the search for a new Chair of the Council that started in 2013.

Legal and investigative costs for hearings and prosecutions decreased significantly to $6,487 from $136,145 in 2013 as no new prosecutions were initiated in 2014. Other costs incurred for rent and general

administrative matters were similar to 2013. Total expenses, excluding the recoverable standards assessment expenses, decreased to $1,160,298 in 2014 from $1,393,297 in 2013.

Cash Flow and Liquidity

The Council's cash flow from operating activities increased by $81,730 (compared to an increase of $410,383 in 2013). This increase is comprised mainly of the excess of revenues over expenses from the Council operations. Conversely, the cash flow from investing activities reduced cash by $240,215 in 2014 compared to a reduction of $36,143 in 2013. As at year-end, the Council had $1,706,617 ($1,637,933 in 2013) in cash and investments. The Council's established policy is to achieve minimum net assets approximating 50% of estimated annual operating expenses. As at October 31 the net assets amounted to $938,395.

During 2014, the Council invested its available funds in interest-bearing debt obligations that meet certain eligibility criteria of, or are guaranteed by, a Province of Canada or a Canadian chartered bank.

Financial Outlook

The Council has approved an operating budget, excluding Standards assessments, of $1,610,000 for the 2015 fiscal year, an increase of $180,000 over the operating budget that was approved for the 2014 fiscal year. The Council remains in a strong financial position while it continues with its responsibilities for oversight of CPA Ontario and the assessment of its new public accounting program policies. Most other expense categories are budgeted to be at similar levels to those forecast for 2014. Consulting costs will increase for the completion of the Promontory study. The costs for hearings and prosecutions will vary according to the number of reported complaints from the public.

STATEMENT OF MANAGEMENT RESPONSIBILITY

The annual financial statements and all financial and other information contained in this Annual Report are the responsibility of the management of The Public Accountants Council for the Province of Ontario. Management has prepared the financial statements in accordance with Canadian Accounting Standards for not-for-profit organizations, applying best estimates and judgments based on currently available information. The significant accounting policies are described in note 2 to the financial statements.

Financial information contained in this Annual Report is consistent with that shown in the financial statements.

Management is responsible for the integrity and reliability of financial information, and has established systems of internal procedural and accounting controls designed to achieve this. In addition, these systems also reasonably ensure that assets are safeguarded from loss or unauthorized use.

The Members of the Council are responsible for ensuring that management fulfills its responsibilities including those for financial reporting and internal control. The Council has created an Audit Committee to help it with these responsibilities. The Audit Committee met with the auditor, both with and without management present, to review the activities of each, as well as to review the financial statements. Tinkham & Associates LLP has been appointed by the Council as auditor to express its opinion on the fair presentation of the financial statements.

Tinkham & Associates has had full and unrestricted access to the Audit Committee and management to discuss matters pertaining to its audit.

The Audit Committee reviews the auditor's performance annually and makes a recommendation to the Members of the Council with respect to its reappointment for the coming year.

Signed: "Keith Bowman"
Keith Bowman
Chief Executive Officer

Signed: "Michael Bryant"
Michael Bryant
Chair

Financial statements of

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO

October 31, 2014

Tinkham & Associates LLP
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To The Public Accountants Council for the Province of Ontario

We have audited the accompanying financial statements of The Public Accountants Council for the Province of Ontario, which comprise the balance sheet as at October 31, 2014 and the statement of operations and changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Public Accountants Council for the Province of Ontario as at October 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Tinkham & Associates LLP
CHARTERED ACCOUNTANTS

TORONTO, Ontario
December 15, 2014

Licensed Public Accountants

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO
Balance Sheet

As at October 31	2014	2013
Assets		
Current assets		
Cash	$ 599,623	$ 758,108
Due from Ministry of the Attorney General	23,730	-
Prepaid expenses	7,889	8,089
	631,242	766,197
Investments (note 3)	1,106,994	879,825
Capital assets (note 4)	23,352	22,597
	$ 1,761,588	$ 1,668,619
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	$ 116,862	$ 118,902
Due to Designated Bodies	706,331	681,922
	823,193	800,824
Net Assets	938,395	867,795
	$ 1,761,588	$ 1,668,619

Commitment (note 6)

On behalf of the Council:

Signed "Michael Bryant"

Michael Bryant

Signed "Jacqueline Orange"

Jacqueline Orange

See accompanying notes to financial statements.

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO
Statement of Operations and Changes in Net Assets

Year ended October 31	2014	2013
Revenues		
Designated Bodies assessment fees	**$ 1,180,000**	$ 1,400,000
Recovery of Standards assessment expenses	**920,238**	381,106
Investment income	**27,168**	24,390
Ministry of the Attorney General project funding	**23,730**	-
	2,151,136	1,805,496
Expenses		
Standards assessments	**920,238**	381,106
Salaries and benefits	**584,615**	567,310
Rent	**144,589**	143,852
Standards	**109,153**	188,118
Legal advisory	**94,181**	97,818
Council fees, travel and meetings	**87,810**	138,873
Consultants	**54,897**	45,676
Office	**41,608**	38,670
Insurance	**12,667**	12,659
Amortization	**12,291**	13,159
Audit	**12,000**	11,017
Legal and other costs of hearings and prosecutions	**6,487**	136,145
	2,080,536	1,774,403
Excess of revenues over expenses for the year	**70,600**	31,093
Net assets, beginning of year	**867,795**	836,702
Net assets, end of year	**$ 938,395**	$ 867,795

See accompanying notes to financial statements.

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO
Statement of Cash Flows

Year ended October 31	2014	2013
Cash provided by (used for):		
Operating activities		
Excess of revenues over expenses for the year	$ 70,600	$ 31,093
Adjustments for items which do not affect cash		
Amortization	12,291	13,159
	82,891	44,252
Changes in non-cash working capital balances		
Due from Ministry of the Attorney General	(23,730)	-
Prepaid expenses	200	(665)
Accounts payable and accrued liabilities	(2,040)	(54,099)
Due to Designated Bodies	24,409	420,895
Increase (decrease) in non-cash working capital balances	(1,161)	366,131
Net cash provided for operating activities	81,730	410,383
Investing activities		
Purchase of investments (net)	(227,169)	(24,523)
Purchases of capital assets (net)	(13,046)	(11,620)
	(240,215)	(36,143)
Increase (decrease) in cash	(158,485)	374,240
Cash, beginning of year	758,108	383,868
Cash, end of year	$ 599,623	$ 758,108

See accompanying notes to financial statements.

1 Purpose of the organization

The Public Accountants Council for the Province of Ontario (the Council) is a corporation without share capital that was continued under the Public Accounting Act, 2004 (the Act). The Act was proclaimed into force on November 1, 2005. The Council is exempt from income taxes.

The purpose of the Council is to ensure that public accounting in Ontario is practiced in accordance with internationally respected public accounting standards that reflect the public interest in the delivery of superior quality public accounting services. The Council is responsible for:

Developing and maintaining the Standards that a Designated Body must meet in order to be authorized to license and govern the activities of its members as public accountants;

Determining which Designated Body meets the Standards, when it meets them and whether it continues to meet the Standards after it is authorized to license and govern the activities of its members as public accountants;

Overseeing the Designated Bodies in their capacity to license and to govern the activities of their members as public accountants; and

Maintaining public confidence in public accounting through the appropriate prosecution of offences under the Public Accounting Act, 2004.

The Designated Bodies are the Certified General Accountants of Ontario, the Certified Management Accountants of Ontario, and the Chartered Professional Accountants of Ontario ("CPA Ontario"). The Council's operations are funded by the Designated Bodies.

The three Designated Bodies agreed to unify their operations under CPA Ontario through two agreements effective April 1, 2014 and July 2, 2014. Under these agreements, CPA Ontario is expected to assume full responsibility for the funding obligations to the Council of the other two Designated Bodies and for the oversight of its public accounting members.

2 Significant Accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

(a) Capital assets

Capital assets are recorded at cost. Amortization is provided over the estimated useful lives of the assets using the straight-line basis as follows:

Furniture, equipment and systems	- 10% and 25% annually
Leasehold improvements	- over the term of the initial lease

(b) Investments

Management has elected to value all investments at fair value, which is based on quoted market values.

2 Significant accounting policies, continued

(c) Revenue recognition

In accordance with section 33 of the Act, the Council prescribes the fees that are to be paid by the Designated Bodies to fund the operations of the Council. These fees are based on the Council's annual operating expenditures. The prescribed fees are recognized as revenue in the fiscal year to which the expenses relate.

The Council has retained independent consultants to assist it in determining whether the respective standards of the Designated Bodies are substantially equivalent to the Council's Standards. The related recoveries of costs incurred are recognized as revenue when approved as recoverable.

(d) Financial instruments

The Council initially measures its financial assets and liabilities at fair value. Council subsequently measures all its financial assets and financial liabilities at amortized cost, except for its investments in government bonds that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and due to Designated Bodies.

Council recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

(e) Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

3 Investments

	2014	2013
Ontario savings bond, interest at 0.75% initially and increasing to 4.50% due June 21, 2014	$ -	$ 508,137
Ontario savings bond, interest at 1.25% initially and increasing to 3.75% due June 21, 2016	230,409	227,752
Ontario savings bond, variable interest rate, currently at 1.30% (2013 - 1.30%) due June 21, 2016	52,144	52,144
Ontario savings bond, interest at 1.25% initially and increasing to 2.25% due June 21, 2017	69,575	68,797
Ontario savings bond, interest at 1.25% initially and increasing to 2.25% due June 21, 2018	70,380	-
Ontario savings bond, interest at 1.25% initially and increasing to 2.50% due June 21, 2019	652,939	-
Cash equivalents	31,547	22,995
	$ 1,106,994	$ 879,825

The Ontario Savings Bonds can be sold at market value at any time. Council invests in interest-bearing debt obligations of or guaranteed by the Government of Canada, and of or guaranteed by a Province of Canada or by a Canadian chartered bank that meet certain specified eligibility criteria. All investments are readily convertible into known amounts of cash. Council does not purchase investments for speculative purposes.

4 Capital assets

	2014 Cost	2014 Accumulated Amortization	2013 Cost	2013 Accumulated Amortization
Furniture, equipment and systems	$ 160,133	$ 136,781	$ 147,563	$ 124,966
Leasehold improvements	117,172	117,172	117,172	117,172
	$ 277,305	$ 253,953	$ 264,735	$ 242,138
Net book value		$ 23,352		$ 22,597

5 Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities is Employer Health Tax payable of $1,116 (2013 - $932) and payroll withholding taxes payable of $18,017 (2013 - $14,608).

6 Lease commitment

Council has entered into a lease agreement for office space that extends until December 31, 2016. The minimum lease commitment plus the proportionate share of realty taxes and operating expenses for 2015 are estimated to be $120,000.

Minimum annual lease payments, excluding the Council's share of realty taxes and operating expenses required in each of the next three fiscal years are as follows:

2015	$	47,200
2016		49,000
2017		8,260

7 Financial instruments

The Public Accountants Council for the Province of Ontario is exposed to various risks through its financial instruments which are comprised of cash, investments, accounts payable and accrued liabilities and due to Designated Bodies. The following analysis provides a measure of the Council's risk exposure and concentrations.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Council is exposed to credit risk through its cash and investments.

Amounts on deposit with insured financial institutions greater than $100,000 are not insured.

The Council manages its credit risk by restricting its investments to the financial obligations of governments and major financial institutions.

Liquidity risk

Liquidity risk is the risk that Council will not be able to meet a demand for cash or fund its obligations as they come due. The Council meets its liquidity requirements by preparing and monitoring forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

Changes in risk

There have been no changes in risk exposures from the prior year.

CONTACT INFORMATION

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